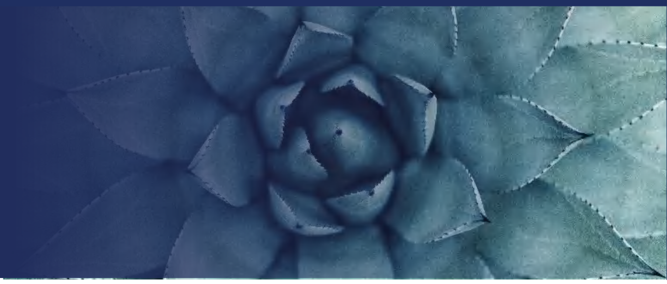
SW TENET

Catalyst for success



ESG Digest News: for May and June 2025

SW Tenet presents a selection of recent sustainability news

International scope

1. Amendments to IFRS S2, published by the ISSB, propose easing the standard application for companies, and include the following:

a. exemption from measuring and disclosing Scope 3 Category 15 GHG emissions associated with derivatives and some financial activities

b. entities engaged in commercial banking and insurance activities are no longer required to use the Global Industry Classification Standard (GICS); in some circumstances an alternative industry-classification system is allowed

c. clarification on jurisdictional relief for using a measurement method other than the Greenhouse Gas Protocol for measuring GHG emissions

d. permission to use jurisdiction-required Global Warming Potential (GWP) values

Comments on the proposed changes are requested by 27 June 2025. The effective date will be decided when the ISSB reconsiders the proposals.

The relief would support entities preparing to apply IFRS S2 by reducing costs associated with applying the Standards. Many stakeholders may expect companies to comply with these globally recognised standards.

2. IFRS Foundation published the guidance document [Disclosing information about an entity's climate-related transition, including information about transition plans, in accordance with IFRS S2](). The guidance is aimed at entities that have not set a strategic goal or which are in the transition planning process. The guidance documents would support entities preparing to apply IFRS S2.

The document is not part of IFRS Standards, however, it is geared towards helping companies to disclose transition plans towards a lower-carbon and/or climate-resilient economy.

3. The International Auditing and Assurance Standards Boards (IAASB) [announced]() the withdrawal of International Standard on Assurance Engagements (ISAE) 3410 for Assurance Engagements on Greenhouse Gas Statements. This decision follows the approval and certification in 2024 of the International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements. ISSA 5000 addresses assurance related to all types of sustainability information, including greenhouse gas emissions, regardless of how the information is presented. It is effective for assurance engagements on sustainability information reported for periods beginning on or after 15 December 2026, or as at a specific date on or after 15 December 2026.

ISSA 5000 has become the primary standard for assurance engagements on GHG statements. Auditors will need to exercise more professional judgment in determining the specific procedures needed to obtain sufficient appropriate evidence for the GHG emissions component.

4. The Network of Central Banks and Supervisors for Greening the Financial System (NGFS) [launched]() its first set of short-term scenarios, aimed at enabling central banks and financial sector supervisors to analyse the near-term impact of climate change and climate-related policies on the stability and resilience of economies and financial systems. According to the NGFS, the new short-term scenarios focus on a five-year time horizon, and offer detailed sector analysis and extensive coverage of financial risk, exploring an interaction of factors, including climate policies, extreme weather, economic trends, and sectoral shifts.

The scenarios assess whether natural hazards, policy stagnation, supply chain disruptions to critical raw materials and other factors provide a better understanding of near-term macro-financial impacts. The tool offers a dedicated framework to analyse the potential near-term impacts of climate policies and climate change on financial stability.

International scope

5. The European Financial Reporting Advisory Group (EFRAG) released its progress report on the simplification of European Sustainability Reporting Standards (ESRS), which seeks to achieve a 50% reduction in the number of data points required by ESRS. The Exposure Draft is planned to be approved in mid-July and will be published together with a basis for conclusions that will illustrate the amendments and how they are expected to lessen the reporting burden.

The simplification is aimed at decreasing the reporting burden, making the standards clearer, and helping companies understand and implement ESRS more easily. This is a positive step for businesses, as it suggests that regulators are listening to concerns and trying to improve the process.

6. The Global Reporting Initiative (GRI) recently released two new topic standards:

a. GRI 102: Climate Change
b. GRI 103: Energy

The standards come into force on 1 January 2027.

These standards focus on reporting climate-related transition plans, GHG emissions targets, baseline and recent progress, and energy consumption and reduction levels, including related to the value chain. Entities are expected to provide more comprehensive, transparent, and comparable information about their GHG emissions and energy performance.

7. The UK government proposed exposure drafts of new UK Sustainability Reporting Standards (UK SRS), based on the sustainability and climate-related standards developed by ISSB IFRS S1/2, aimed at forming the basis of a framework to deliver sustainability-related financial information to financial markets. The consultation period is until September 17, with the final requirements set to be published by December.

This represents a major step towards creating a more transparent and standardised sustainability reporting landscape in the UK. The UK has implemented mandatory climate-related financial disclosures aligned with the Task Force on Climate-related Financial Disclosures (TCFD) from 2022, demonstrating leadership and innovation in climate-related disclosures. By aligning with ISSB standards, the UK is aiming to create a consistent and comparable reporting landscape.

8. The Integrity Council, United Nations Framework Convention on Climate Change (UNFCCC), and World Bank launched Country Guidance for Navigating Carbon Markets. The guidance includes technical information for governments navigating decisions on carbon markets.

The aim of the guidance is to provide a coherent supporting framework to countries that will enable them to maximise the potential of their carbon markets and attain climate and development goals.

9. The European Council presidency and European Parliament announced that they had agreed on changes to the carbon border adjustment mechanism (CBAM), including introducing a new threshold to the regulation that would exempt 90% of importers, primarily smaller businesses. 99% of greenhouse gas emissions from key carbon intensive industries' imports (such as iron, steel, aluminium, cement and fertilisers) remain within the CBAM scope. With the agreement in place, the changes will require final approval from both the Parliament and Council before they come into force.

The new agreement supports the Commission's proposal to introduce a new threshold into the CBAM, in which imports of up to 50 tonnes per importer per year will not be subject to CBAM rules, thus boosting Europe's productivity and global competitiveness, which include goals to reduce reporting burdens by at least 25% for all companies, and 35% for SMEs.

10. The European Commission and UK Government announced their commitment to establish a link between their respective emissions trading systems (ETS). This initiative is seen by many as being an effective way to bring more stability to carbon markets. This follows a period of four-and-a-half years post-Brexit in which the UK system operated a parallel system, but with significant price differences vis-à-vis allowances (the UK's were significantly lower).

Bringing the UK back into a unified system should mean that UK exporters should not have to pay a fee to the EU on products subject to the EU's CBAM.

GCC scope

11. The UAE's Federal Decree-Law No. 11 of 2024 On the Reduction of Climate Change Effects, which focuses on reducing the effects of climate change, came into effect on 30 May 2025.

This law requires businesses to measure, report, and verify their greenhouse gas emissions (for entities emitting 0.5 million metric tons of CO2 equivalent or more annually). Penalties for non-compliance range from AED 50,000 to 2,000,000.

12. The UAE will ban the import, production, and trade of single-use plastics from 1 January 2026. The ban is part of a phased approach begun in 2024, with a ban on plastic bags.

This move reflects a strong commitment on the part of the UAE to the environment and waste management.

13. Emsteel announced that it had received a provisional ESG rating of "AA" from the MSCI, one of the highest among steel players globally, recognising the group as one of the few global steel and building materials manufacturers that stand out for strong Environmental, Social, and Governance (ESG) performance**.**

Emsteel can enhance its access to capital, improve its reputation, and attract greater investor interest. However, the rating also comes with a responsibility to maintain or improve sustainability performance and meet the expectations of ESG-focused investors.

13. Schneider Electric launched the Impact Buildings Programme, with the first site in Dubai. The programme aims to drive sustainability through the company's own global commercial real estate, harnessing solutions (building operation, energy monitoring, integrated workplace management) software and services.

Schneider Electric is setting a benchmark by showcasing to customers and partners the intelligent and sustainable spaces its technology has created.

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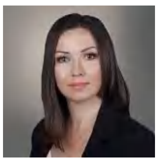

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